



Uruguay XXI

INVESTMENT, EXPORT AND COUNTRY
BRAND PROMOTION AGENCY

Business environment

Investor Guide



Business Environment

Investor Guide

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1. Business Environment

Main features

- » A reliable country
- » Expanded market
- » Ease of doing business
- » Talent
- » Quality of life

Uruguay leads the main rankings of political stability and democratic solidity in Latin America. This reflects the country's strong democratic tradition, based on transparent government policy and broad economic freedom. Thanks to the favorable investment environment and the country's good macroeconomic performance in recent years, Uruguay has positioned itself as a reliable and attractive destination for foreign investors. Likewise, its strategic location and the international agreements signed with the most important Latin American economies enhance the country's development as a regional hub. Between Mercosur, its associated states and the FTA with Mexico, through Uruguay it is possible to have access to a market of 400 million people, which accumulates 80% of the GDP and 81% of the flow of foreign trade of Latin America.

The country has talented and highly competitive human resources, thanks to the conjunction of several factors, among which stand out the high quality of basic, technical and university training, the flexibility and ease of Uruguayan workers to adapt to new production processes or technologies, and competitive salaries in the region.

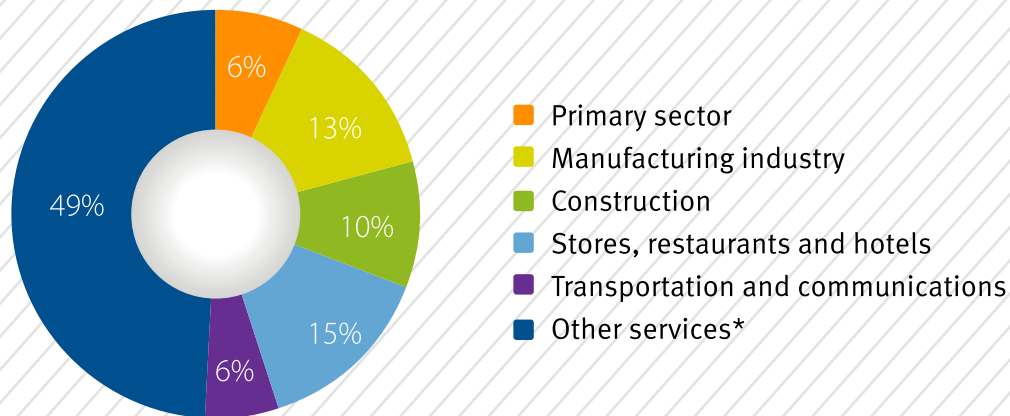
Uruguay is the most equitable country, with the lowest poverty and the highest proportion of middle class in Latin America. This creates the conditions that allow it to distinguish itself as a friendly place to live, work and invest. In fact, Montevideo, where more than half of its population lives and works, is the city with the best quality of life in Latin America, according to Mercer (2018).

1.1 Economic performance and structure

In Uruguay, a small and open economy, with a growing projection towards the regional and international external market, exports play a very important role for local productive development. The sector with the greatest participation in the Gross Domestic Product (GDP) is the services sector, within which trade, telecommunications, financial services, real estate services and other business services stand out.

Agricultural supply, which represents 6 per cent of gross domestic product (GDP), makes an important contribution to the economy: it provides most of the raw materials for manufacturing, and accounts for 79 per cent of the country's exports.

GDP per industry
(% GDP, 2017)



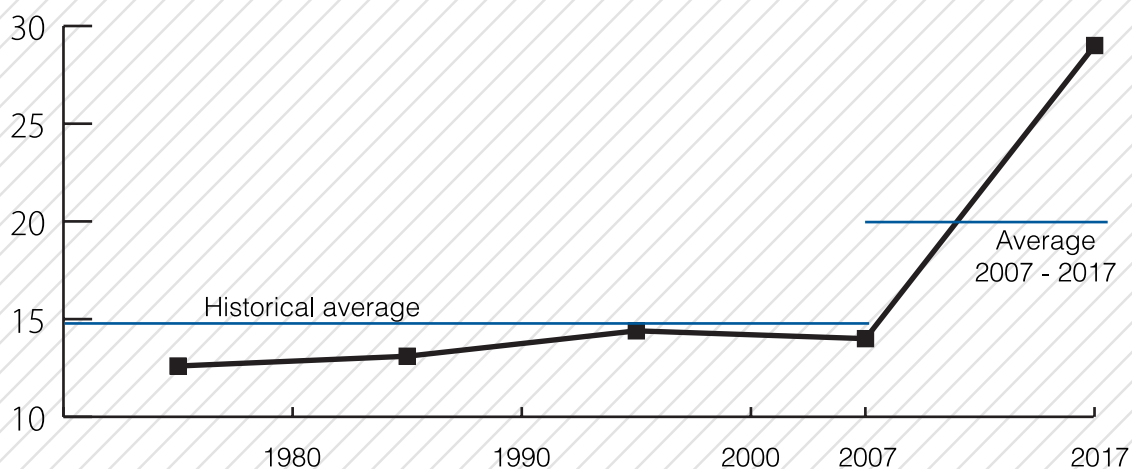
(*)Financial brokerage, real estate, corporate and rental activities; public administration and defense; statutory social security plans; education; health services, personal service activities and private household services included.

Uruguay has achieved sustained economic development, with an average annual GDP growth rate between 2007 and 2017 of 4.3 per cent. Since 2013, the World Bank has classified Uruguay as a high-income country. Gross national income per capita has continued to rise and reached US\$ 16,939 in 2017.

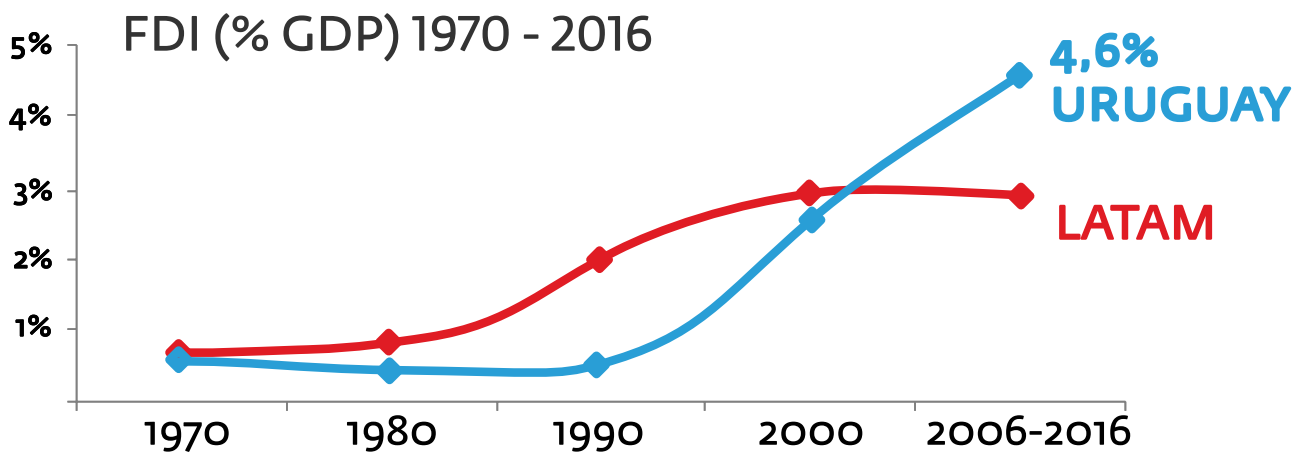
The country's macroeconomic stability and strong institutional framework - with clear rules for investors and an attractive investment promotion regime - allowed for the strong dynamism that productive investment has experienced in recent years.

Economic investment -measured as gross fixed capital formation- is at historically high levels. In recent years the country has been characterized by a significant flow of foreign direct investment in all sectors of activity.

Growth of the FBKF
(% of GDP)

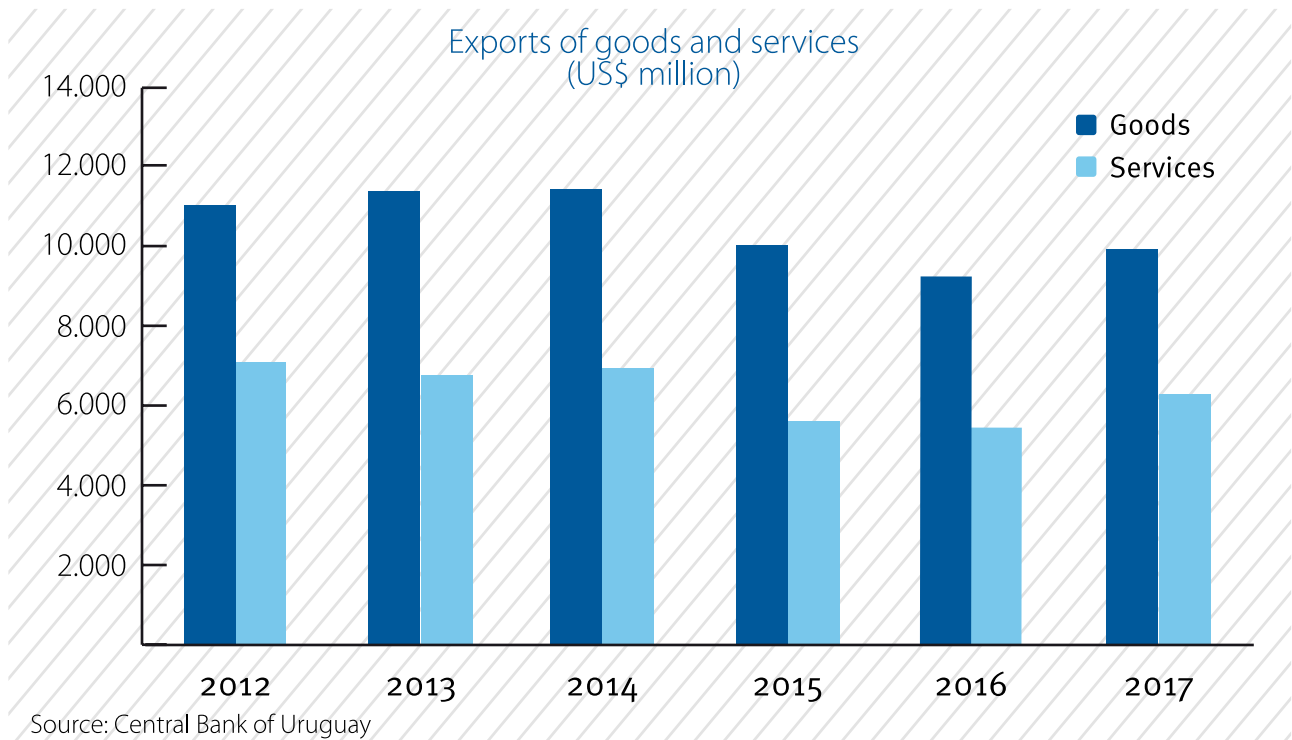


On the other hand, prices show a stable behavior, with single-digit inflation rates. Inflation is expected to maintain the behavior of recent years due to a policy of inflation target control adopted by the Central Bank of Uruguay starting in 2004.

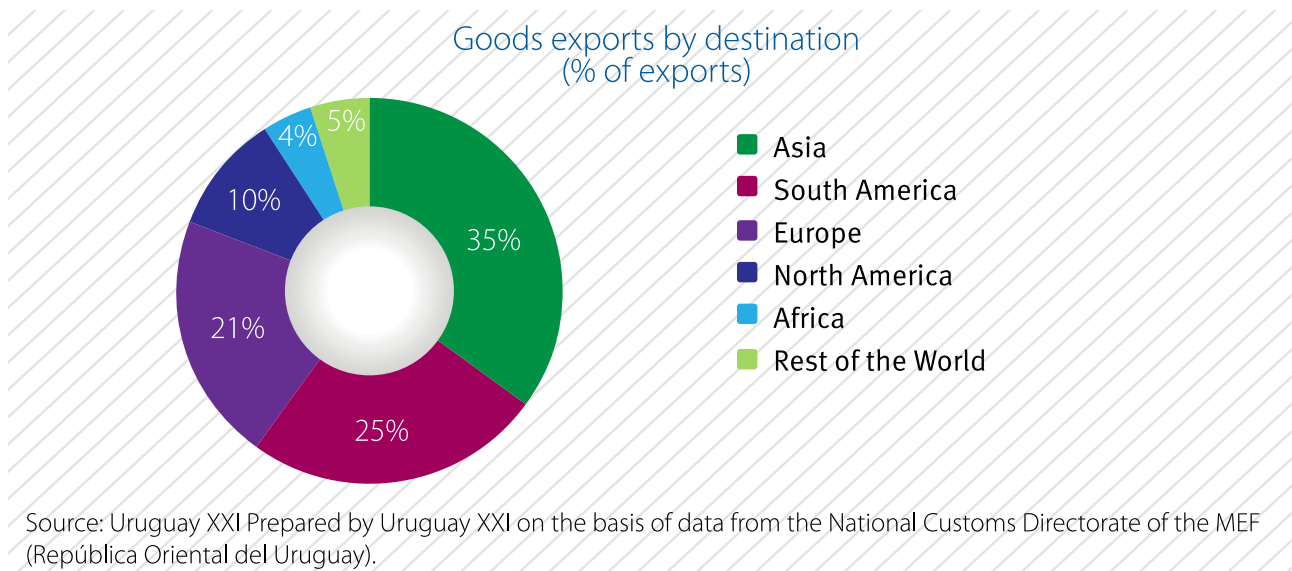


Sources: Central Bank of Uruguay, UNCTAD

The deepening of the economic opening process led to a constant growth of foreign trade, both goods and services, reaching record levels in recent years. Within goods exports, the main items are: beef, soybean, cellulose, dairy and other agro-industrial products; while in services exports, tourism, global services and logistics services stand out, due to Uruguay's strategic geographical positioning in the region.



In 2017 Uruguay exported goods to 170 countries, the active policy of reaching new markets for the placement of extra-zone goods, carried out by private and public actors, has managed to diversify the destinations of exports, decreasing the relative dependence on regional markets.



1.2 Economic policy

Uruguay has a regime of total freedom in the movement of capital and foreign exchange from and to the exterior, and an exchange system of free convertibility for the national currency.

Uruguay is going through the longest period of economic growth since records were set. Since 2003 economic activity has grown uninterruptedly for 15 years, successfully weathering the 2009 international financial crisis and withstanding recessionary pressures from the region in 2015-2016. On average, the GDP grew in the last decade in the environment of 4.3% annual average.

Net public debt ratios are at adequate levels (31.6% of GDP in 2017). Likewise, Uruguay is a country with Grado Inversor. This has been ratified by the main rating agencies: Moody's, Standard & Poor's and FitchRatings which have successively improved the Uruguayan debt rating.

As for macroeconomic policies, public expenditure decisions are made based on the Budget Law approved during the first year of government, and the subsequent annual accounts. Fiscal discipline is reflected in the existence of a law capping the annual variation in net debt that indirectly sets a restriction on the fiscal imbalances in which the government may incur.

To procure price stability, the BCU carries out an inflation targeting policy. As an instrument for achieving said goal, the Monetary Policy Committee is based on fixing a base of monetary aggregates (amount of money in circulation). The inflation is at levels close to the target range established by the BCU (3% - 7%) and the forecasts indicate that it will remain stable during 2018.

Uruguay stands out in Latin America for its high per capita income, low levels of inequality and poverty, and for having the largest proportion of the population within the middle class. According to the World Economic Forum (2017) Uruguay is the country that grows with the best levels of equity in the region. The country ranks among the region's top performers in various welfare measures, such as the Human Development Index and the Human Opportunity Index of the World Bank (Uruguay has achieved a high level of equality of opportunity in terms of access to basic services such as education, drinking water, electricity and sanitation).

1.3 Trade Policy

Uruguay was one of the first economies in Latin America to evolve towards open and unrestricted international trade. In 1991, Uruguay signed a treaty with Argentina, Brazil and Paraguay that established the Southern Common Market (MERCOSUR), which accelerated the opening of the Uruguayan economy, establishing a process of progressive integration from the free trade zone to a Common Market. In 2006, Venezuela joined MERCOSUR and on August 13, 2012, it became a full member. It is currently suspended from the block.

MERCOSUR provides for the free circulation of goods, services and production factors within the signatory countries through the progressive elimination of tariff and non-tariff barriers.

In turn, there is a Common External Tariff (CET) agreed by the signatory countries for almost all goods brought into the zone. The CET varies from 0% for capital goods to 20% for some consumer goods (clothing, household appliances, etc.). There are exceptions for some industries such as footwear, sugar and automobiles, for which the AEC is greater than 20%, and which are also listed as exceptions to tariff 0 at intra-zone level.

In addition to the aspects referred to the Common External Tariff, its exceptions and adaptations by country, MERCOSUR has adopted decisions regarding the regime of origin, treatment of unfair internal trade practices of the expanded market, bases for the defense of competition, public policies that condition competitiveness, elimination or harmonization of non-tariff restrictions to trade and customs policy rules. Likewise, certain bases have been agreed to coordinate and harmonize macroeconomic policies related to foreign trade, agriculture, industry, taxation, transport and other matters.

It is important to point out that MERCOSUR offers companies that are established and those that start up activities in Uruguay access to a market of 400 million people, with a GDP of US\$ 5.3 billion, what amounts to what would be the third economy in the world.

Uruguay has a privileged location within MERCOSUR since it is in the center of the area with the highest population and income level. Within a radius of 1,500 km from Uruguay, 90 million inhabitants are concentrated in areas of great industrial and agricultural development.

Our country has subscribed, as part of MERCOSUR or by itself, a series of commercial agreements that allow access to other markets beyond MERCOSUR with tariff preference.

In turn, MERCOSUR has signed trade agreements with Chile (1996), Bolivia (1996), Colombia, Ecuador and Venezuela (2004), Peru (2005), Cuba (2006), Israel (2007), India (2004), SACU (2008), Egypt (2010) and Palestine (2011). An agreement covering exclusively the automotive sector was signed with Mexico (2002). MERCOSUR is also part of the Global System of Trade Preferences among Developing Countries (GSTP), in force in Uruguay since 2005.

On the other hand, since 2003 Uruguay signed with Mexico a bilateral Free Trade Agreement 2003, which allows the free circulation of goods and services between both countries.

In 2016, Uruguay signed a bilateral FTA with Chile that, in addition to integrating the agreements already signed (which allow avoiding double taxation, which refer to public procurement and investment promotion), incorporates a series of new issues that make it up within the so-called “last generation” agreements. It includes aspects of tariff reduction for the ex-

change of goods, rules of origin, sanitary and phytosanitary measures, technical obstacles, and trade facilitation. In addition, trade in services was included, providing a clear regulatory framework and facilitating, among other aspects, electronic commerce and intellectual property and a new tax policy for the software industry.

The services agreements seek to provide guarantees to the parties regarding respect for certain basic principles such as national treatment and most-favored-nation treatment, which guarantee access to markets without the existence of discrimination. These agreements involve commitments by countries in relation to different sectors of trade in services and four modes of supply: cross-border supply, consumption abroad, commercial presence and presence of natural persons.

1.4 Private and Public Services

In Uruguay there are some services provided by public companies under a monopoly regime. Such is the case of the importation of oil and its derivatives for the refining of fuels (but not distribution) carried out by ANCAP, the transmission and distribution of electricity (but not generation) carried out by UTE, the provision of fixed telephony services (but not cellular telephony, data and broadband) (ANTEL) and the provision of drinking water and sanitation services (OSE).

Uruguay has carried out a process of deregulation of the economy and the elimination or partial privatization of some public companies in order to promote competence and increase general welfare. In this sense, it is necessary to enumerate some outstanding aspects:

- De-monopolization of insurance.
- Reform of the social security system (with the creation of Administradoras de Fondos de Ahorro Previsional or AFAPs).
- Promotion of the channeling of financial resources through the Investment Funds Law, the Securities Market Law and the Trust Law.
- Promotion of access and use of financial services, under conditions of greater competition through the Financial Inclusion Law.

Uruguay is the most advanced Latin American country according to the Information and Communication Technologies (ICT) Development Index prepared by the International Telecommunication Union (ITU) in 2017. This fact is also reflected in the degree of Internet penetration and in the number of mobile phone users, where the country occupies a prominent position in the region. In recent years ANTEL has maintained a policy of heavy investment, including the installation of fiber optics in homes, the construction of an International Data Center (awarded as the best Data Center in Latin America in 2016), and the installation of a submarine fiber optic cable connecting Uruguay with the U.S. since 2017. These investments mean an important increase in the speed of data traffic and the possibility of having first class communication services.

In 1992, the Ports Law was approved, allowing free circulation and tax exemptions for goods in transit (see point 2.1 of Chapter 2). In 1996, the functioning of the Uruguayan stock market was regulated, incorporating modern rules and principles already experienced in the main financial markets, which has led to a significant growth in the market for corporate debt securities, particularly long-term negotiable obligations, as well as regulating the operation of Investment Funds.

1.5 Clear rules

The Uruguayan political system has three major political parties that have alternated in government, without significant changes in economic matters, and with a strong respect for clarity and transparency in the fulfillment of contracts. This quality is taken as a differential by investors when it comes to opting for Uruguay, as a pillar for the generation of confidence in the business climate. According to the Corruption Perception Index 2017, compiled by Transparency International, Uruguay ranks 23rd among 167 countries, and ranks first in Latin America as a reliable country.

In Uruguay there is no discrimination in the treatment of national or foreign capital, and investment promotion incentives are available to both equally. There are also no limits on the endowment of foreign capital in companies. The foreign investor may engage in any type of activity under the same conditions as local investors. In certain sectors of activity, under special State regulation, the foreign investor may carry out the activities under a public works concession regime.

There are no limitations on the transfer of profits or repatriation of capital, nor are prior permissions required from the authorities. The exchange market is free without limitations for the purchase or sale of foreign currency, and investments can be made in any currency.

In Uruguay, the existence of international intellectual property standards can be verified. The protection of copyrights, trademarks and patents is specifically legislated.

1.6 Incentives to foreign investment

The foreign investor can operate in the country by constituting a Public Limited Company (SA) - which is the most frequently used type of company - of which he can own 100% of its share capital. It can also operate through the constitution of a Limited Liability Company (LLC) or other types of personal companies, integrated by partners that can be natural or legal persons, national or foreign¹. The foreign investor can also choose to operate in the country through a branch of a foreign company. The tax treatment of the different corporate vehicles differs in several aspects, which makes it convenient to carry out a careful planning beforehand in order to select the type of company to adopt.

Uruguay has traditionally provided a framework of security to foreign investors due to the effective validity of the law and economic stability. It is also a member of international organizations that promote investment security, such as the Multilateral Investment Guarantee Agency (MIGA) and the International Center for Settlement of Investment Disputes, based at the World Bank. On the other hand, Uruguay has entered into treaties for the reciprocal promotion and protection of capital investments with several countries; these agreements are detailed in the International Agreements chapter of this investor guide.

The foreign investor can set up his company in Uruguay without prior requirements, special permits from the State, or the need for a local counterpart. There is also no discrimination in the treatment of foreign capital in the country, so you can access all benefits and incentives for investment promotion provided for domestic companies. At the same time, the financial market is totally free, which allows the free purchase and sale of foreign currency, and the entry or exit of foreign exchange, capital, profits, dividends and interests without restrictions or the

¹ - In the case of companies that own rural properties and agricultural holdings made up of partners that are legal persons, the owners of the latter must necessarily be natural persons

need for authorization. The tax system is unique in the whole territory.

There are no limitations on the hiring of foreign personnel (except in the case of free trade zones, where 75%² of the personnel must be Uruguayan citizens). Foreigners who are going to develop activities as dependent workers in Uruguay only have to comply with certain procedures before the National Direction of Migration³.

Both individual entrepreneurs and business organisations have a favourable attitude towards foreign investors and entrepreneurs visiting Uruguay. Visitors can also expect a friendly welcome from both banks and government authorities.

Uruguay has an export promotion policy through instruments of diverse nature and scope, all of which comply with World Trade Organization (WTO) regulations.

Tax refund: In addition to a tax refund regime regarding Value Added Tax (VAT), there is an indirect tax rebate system, through which exporters can recover internal taxes that make up the cost of the exported product.

The Temporary Admission (AT, for its Spanish acronym) system allows the introduction, exempt from taxes, of foreign goods from outside the national customs territory, provided that pre-established purposes and requirements are met. Such merchandise must be exported after having undergone a specific transformation, manufacturing, repair or value-addition processes, with actual employment of labor. Furthermore, re export or domestication of goods is admitted, prior authorization, in the same condition they were introduced.

Temporary export for re-import is the counterpart of temporary admission, and requires authorization from the Ministry of Economy and Finance to be exempt from taxes. Furthermore, temporary export for outward processing consists of exporting tax-free goods to be transformed, repaired, to develop other goods, or perform other operations authorized in another foreign customs territory, and then importing the goods back into Uruguay after having paid import duties only on the value added to the goods abroad.

Draw-back: This regime allows to claim the refund of taxes and levies paid for the import under the general scheme, once the corresponding goods have been exported.

The **Qualified Economic Operator Program** is aimed at facilitating international trade under a trust and security system, by certifying natural or legal persons set up in Uruguay. These, as part of the international supply chain, meet a series of security and control standards (OEC requirements) and are certified as such by the National Customs after their organization, processes, security, management and financial statements have been audited.

Those who are granted an OEC certification access multiple benefits, such as a certificate that endorses it as a reliable and safe operator; simplified procedures; fewer checks and priority thereof; participation in training, workshops and events related to the OEC.³

Participation in the OEC is not mandatory, and paperwork for certification are available with the National Customs Bureau.

2 - There are exceptions to this limit. For more information go to the chapter: Investment promotional regimes

3 - For more information about these procedures go to the chapter: Establish residency in Uruguay

Foreign trade one-stop window (VUCE): As part of the export support organizations there is the VUCE, which is a website where foreign trade operations (import, export and transit) can be executed from a single access point, connecting with all stakeholders and fulfilling the steps defined by the regulations applicable to every procedure and organization involved. It also allows checking the started procedures, their status and taking any actions required. VUCE renders reports at all times, which enable to trace every process, the timing of every intervention, users who have intervened and other information.

In addition to these instruments, multinational companies established in neighbouring countries are particularly well placed to take advantage of the advantages offered by the Uruguayan Free Zones, Ports and Free Airports regimes.

Uruguay's Free Zones regime allows legal entities that establish themselves as users of free zones to operate free of any national tax, created or to be created. In particular, they are exempt from Income Tax, VAT, Wealth Tax and Specific Internal Tax and Tax on the Control of Corporations. The entry and exit of goods to the free zone is exempt from all taxes. This exemption does not apply to social security contributions, except for foreign personnel who may choose to contribute in their country of origin.

On the other hand, the Free Port and Free Airport regime is one of the pillars for Uruguay to position itself as a logistics platform in Mercosur, and a distribution center for goods in transit. This regime applies to the commercial ports of Montevideo, Colonia, Juan Lacaze, Fray Bentos, La Paloma, Nueva Palmira, Paysandú and Puerto Sauce as well as the Carrasco International Airport and the Carrasco International Airport (the only one in the region).

By operating in a free port or airport you will be able to move your goods freely without the need for authorizations or formalities. During your stay in the port customs area, your goods will be exempt from all taxes and surcharges applicable to the import, being able to be made:

- Goods-related activities: activities that can add value to the goods, change their presentation or implement their free disposition or destination.
- Activities related or associated to services rendered to the goods: loading, unloading, stowage and mobilization of bulk items, transportation, transshipment, reshipment, transit, removal, deposit, storage, disposition, ship supply, ship repairs and other related services.

2. Supporting infrastructure

Main features

- » Uruguay's strategic location in the center of MERCOSUR turns it into a natural hub between the member countries.
- » The port of Nueva Palmira, located at the southern end of the Paraguay-Paraná Waterway is a strategic point for the inflow and outflow of goods to the center of the continent.
- » Telecommunication, energy and water services are available with no restrictions throughout the country, with very good technological levels.

The country offers competitive advantages to the investor, among other things, thanks to its strategic geographic location and an adequate support structure and in full development, for the transport of passengers and goods by sea, air and land.

In Uruguay investment in infrastructure is a priority, and currently, an ambitious infrastructure plan is in execution for the period 2015-2019 for an amount exceeding US \$ 12,000 million. In its first two years, 56% of the Program has already been executed. The investment plan seeks to combine the financing of the public sector with private investment, for which Uruguay has had a Public Private Participation law since 20114.

In this framework, it seeks to attract investments that contribute substantively to the creation of quality employment, the incorporation of state-of-the-art technology and the strengthening of productive capacities. The investment plan seeks to ensure the necessary infrastructure to maintain Uruguay at the forefront in terms of infrastructure and quality of life.

2.1 Transportation system

Due to its geographical location, Uruguay is a permanent link of land and sea communications between the MERCOSUR countries, especially Argentina and Brazil; a situation that responds to its strategic insertion among the richest and most developed areas of its neighboring countries.

Distancia entre Montevideo y las principales ciudades de la región
(Km)

Buenos Aires	250
Porto Alegre	870
Asunción	1.550
Santiago de Chile	1.900
San Pablo	1.970
Río de Janeiro	2.400

Uruguay has developed competitive advantages in the provision of services. In particular, its transport system has existing and developing infrastructures that enable it to meet the trans-

port demand of the strong exchange flows between MERCOSUR member countries and the particular requirements of the countries of the region for their international exchanges.

Uruguay's transport infrastructure allows the total interconnection of its territory with the region without limitations.

Road transportation

The main road network, paved and adapted to the current territorial model, is the densest in Latin America and the Caribbean, with 50 km paved for every 1,000 km² of surface.

International cargo transport is carried out without restrictions through various border crossings between Uruguay, Argentina, Brazil, Chile and Paraguay, with a fleet available without limitations.

Internal passenger transport is mostly carried out by buses run by private companies under a regime of "regulated competition", which has allowed a solution with high standards of quality and efficiency.

Interconnections with neighboring countries are made through various border crossings: with Argentina there are three bridges over the Uruguay River in the cities of Salto, Paysandú and Fray Bentos, while with Brazil the highways join in the cities of Bella Unión, Artigas, Rivera, Aceguá, Río Branco and Chuy.

Rail transportation

The railroad network in Uruguay is destined to the transportation of large volumes of raw material, such as agricultural and forest products as well as fuel, among others. Rail transportation rates are competitive in comparison to road transportation in the mass demand segments served by the railroad.

Currently, the main activity is grain transportation from the distribution plants which have railway siding towards ports or borders for export.

The State Railway Administration (AFE) is the autonomous state companies open to the participation of private operators, responsible for operating freight and passenger railway transportation throughout the country.

The railroad network comprises three main trunk lines which communicate the capital city with the west coast of the country (agricultural and forest area, border with Argentina), the north zone (forestry area, land border with Brazil) and northeast zone (rice area, land border with Brazil). The three lines meet in the Central Station, adjacent to the Port of Montevideo, which can be directly accessed from the railroad system.

Regarding the passenger railroad transportation, the service is provided in two small short-distance inter-urban segments of little importance for the overall system.

Currently, the freight transportation capacity is currently limited by the conditions of the railroad infrastructure, the rolling stock and the lack of modern railroad systems, techniques and organization and operation methodologies. In order to improve the maintenance of the service, the State organized a public capital corporation governed by private law (Corporación Ferroviaria de Uruguay). This corporation, in association with AFE, is in charge of carrying out

the necessary investments for the reconstruction of the tracks in order to adapt it to the international standards and allow a 60 km/hour transit with a freight capacity of 22 tons per axle. These investments make up the kickoff for the development of a railroad system part of the integrated transportation system, essential for economic growth. In 2017, as part of the infrastructure investment plan, the railways between Paso de los Toros (center of the country) and Montevideo, along with a plan to improve access to the Port of Montevideo, were announced. This set of investments is associated with the announcement of the installation of a third pulp mill in the central zone of the country, which in turn will generate another series of investments in transportation infrastructure.

River and maritime transportation

The country's most important port is in Montevideo, receiving maritime lines from the entire world and concentrating exports, imports and traffic trade. It is the first and only terminal on the Atlantic coast of South America that operates under the free port system.

The port of Montevideo - where the public terminal coexists with the private terminals, is in clear expansion and it is one of the greatest hubs for goods distribution in the region.

On the other hand, the port of Nueva Palmira on the Uruguay River is the headwaters of the most important river transportation system of South America. The port of Nueva Palmira is located at the key point of the Paraguay-Paraná Waterway, 3,443 km long, which is connected to the Río de la Plata and through the latter to the Atlantic Ocean. Nueva Palmira is outlined as one of the main terminals for the conveyance of goods of the region to the world and it accommodates both a public terminal and several private terminals.

Air transportation

The main airport facilities are located between Montevideo and Punta del Este, the areas with the greatest concentration of population and tourist infrastructure of the country.

Carrasco International Airport, with its new passenger terminal, inaugurated by the end of 2009, is located at the east of Montevideo, 18 km from downtown, and is the main passenger and freight air terminal of Uruguay. The inter-continental coverage provided by the Airport is carried out through 13 international airlines that render regular passenger and freight services on a daily basis.

The Airport of Laguna del Sauce, 15 km from the city of Punta del Este, recently had its facilities and runways remodeled under private investment on a concession basis.

2.2 Telecommunications

Telecommunication services have a wide coverage throughout the national territory. Except for fixed telephony services (provided by the state company, ANTEL), and internet by fixed line, other services are rendered by public and private operators on a competition basis. All activities regarding telecommunications are regulated and controlled by the Communication Service Regulatory Unit (URSEC), which is oriented to the extension and globalization of service access, promotion of competition, control of the persistent monopoly activities, application of tariffs reflecting economic costs, promotion of investment at optimum levels and protection of users' rights.

Some indexes that show the progress in the telecommunications sector in Uruguay are shown

below.

- Digitized telecommunications: 100%.
- Fixed Teledensity: 78% of households lines per 100 inhabitants.
- Mobile Teledensity: 156 lines per 100 inhabitants.
- Broadband services: 75% of households.

Source: Regulatory Unit for Communications Services (URSEC), data as of December de 2017 and Antel.

2.3 Energy

The primary basic power sources in Uruguay are hydroelectricity, wind power, biomass and oil.

Liquid fuels

By law, the Administración Nacional de Combustibles, Alcohol y Portland (National Fuel, Alcohol and Cement Administration - ANCAP) has the monopoly for the import and refining of crude oil and the production, export and import of by-products. Since Uruguay has no fossil fuel reserves, the supply for the national territory is entirely imported. Imported crude oil is processed in ANCAP's refinery.

In 2015, 38% of the final energy consumption per source in Uruguay corresponds to oil products.

At the same time, the main consumer sector of oil by-products is transportation, followed by the residential and industrial sector, and the group of agriculture, fishing and mining sectors. It is worth pointing out that as of 2009 the law requires liquid fuels for automotive use to be complemented by biofuels through the mixture of biodiesel with gasoil and ethanol with gasoline. Although ANCAP is in charge of carrying out such mixtures, ethanol and biodiesel are supplied by companies governed by private law, provided the product meets the corresponding quality standards.

Natural gas

Uruguay has no fossil energy sources and it imports all the oil and natural gas it consumes. Currently, all the countries of the region are interconnected by export gas pipelines and Argentina is the supplier country of natural gas to Uruguay.

Natural gas supply chains in Uruguay are made up of gas pipelines and distribution networks operating at low pressure and have a greater territorial extension. Transportation facilities supply gas to large users and distribution networks, and from there to residential, commercial and industrial final consumers of low or medium- consumption.

Electricity

Power generation in Uruguay is carried out by the Administración Nacional de Usinas y Transmisiones Eléctricas (National Administration of Power Plants and Electric Transmissions - UTE) and by private industrial generators for personal use and sale to UTE. The main input for generation is hydro-energy, followed by wind power and biomass.

The installed power in 2017 was of 4,542 MW. Electricity is mainly generated by renewable sources. In 2017, 52% of electricity was hydropower generation, 26% wind generation, 2% solar generation and only 2% fossil thermal.

Uruguay is also part of an energetic connection with the other countries of the region and when it deems it convenient, it imports electricity from Brazil and Argentina. In the past three years, the country has had no need to import electricity and has actually exported to Argentina. 99.8% of urban houses have access to electric power.

2.4 Drinking water and sanitation

Uruguay is the only country in Latin America that has achieved an almost universal coverage regarding the access to safe drinking water and appropriate sanitation, with high quality services. Due to these achievements, the government priority is to improve service efficiency and extend the access to sewage system (where appropriate) in areas where on-site sanitation is being used.

Drinking water and sanitation services are provided by the public company Obras Sanitarias del Estado (OSE), and are available without restrictions throughout the country. Access to drinking water sources covers 98% of the population. Based on their excellent level of drinking water coverage, 94% of the urban population has adequate sanitation in 2016.

3. Financial system

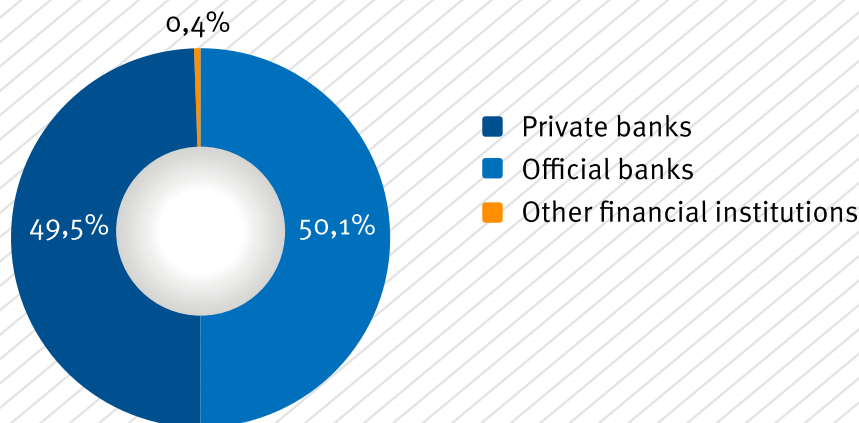
Main features

- » Banking and financial activities are governed by the Central Bank, which has the power to authorize the establishment of new financial entities.
- » A wide range of banking services is available with no limitation for foreign investors.
- » Off-shore operations have a significant tax exemption.
- » Bank secrecy is protected by law.
- » Explicit deposit insurance.
- » There are no limits on capital inflow or outflow or exchange control on foreign exchange operations.
- » International financial center: Uruguay meets the requirements of an international financial center, in particular for MERCOSUR and the region.

3.1 Banking System

The financial intermediation sector in Uruguay is made up of 11 commercial banks, 1 financial house, 1 financial intermediation cooperative, 1 savings group administrator and 1 external financial institution. Private and public commercial banks have the most important market share.

Assets participation in the financial system
(March 2018)



State banks are Banco de la República Oriental de Uruguay (BROU) and Banco Hipotecario de Uruguay (BHU). The first one operates as a State owned commercial bank and as a manufacturing and agricultural promotion bank. On the other hand, the BHU finances the purchase of houses.

Commercial banks provide two interrelated types of activities. The first activity is the essence of financial intermediation, i.e., raising deposits from savings to channel those resources to grant credits. Commercial banks also render other services to their clients (bonds, collaterals and guarantees, international purchase and sale operations, foreign trade operations, investments, etc.).

Lending institutions engage in performing all kinds of financial operations, except for those reserved to banks and banking cooperatives, such as the opening of checking accounts. On the other hand, they are authorized to raise funds, both from residents and non-residents.

Financial intermediation cooperatives are institutions that –as their name thus indicate– are organized as cooperatives and are only authorized to provide banking services to their partners and have a distinguishing treatment regarding capital requirements and certain tax advantages compared to commercial banks.

External financial institutions are off-shore institutions providing financial services exclusively to non-residents under a particular regulatory framework. They are fully tax-exempt.

3.2 Central Bank

Financial system control is responsibility of the Central Bank of Uruguay (BCU), which has a large number of duties. Typically, the BCU is the public entity that regulates the monetary system through the issuance, management of international reserves and supervision of exchange operations. It is also in charge of other controls currently under the responsibility of the Office of the Superintendent of Financial Intermediation Institutions, the Office of the Superintendent of Insurance and Reinsurance, the Control Area of Administrators of Social Security Savings Fund (AFAPs) and the Stock Market Area.

In December 2002, the Office of the Superintendent of Banking Savings Protection was created by law as a decentralized entity of the BCU with the purpose of guaranteeing the financial system's deposits refund.

Such rule created a Banking Deposit Security Fund financed by financial institutions and managed by the abovementioned Superintendent. This way, an explicit deposit insurance mechanism was formalized for the purposes of indemnifying depositors in the event of bankruptcy.

3.3 Stock market

Apart from resorting to the banking market, fund deficit and surplus agents in Uruguay may resort to the stock market, although the volume of transactions carried out in this market is small.

The Uruguayan stock market comprises the Montevideo Stock Exchange (BVM) and the Bolsa Electrónica de Valores S.A. (BEVSA), the latter being exclusively used by banks and other financial institutions.

Primary market operations basically deal with the issue of Certificates of Deposit of the private sector with BEVSA (the public sector issues over-the-counter). In the secondary market, government security operations prevail.

At the same time, there are regulations on different mechanisms to facilitate credit access for the non-financial private sector, which can be channeled by the BVM, such as the issue of Negotiable Bonds (NBs) and Trusts.

3.4 Insurances

The insurance market was demonopolized in 1994. From then on, several foreign companies

began operations in Uruguay competing with Banco de Seguros Del Estado (State Insurance Bank - BSE), which has led to the diversification of the products offered in the market and a reduction in policies prices.

The establishment and operation of insurance and reinsurance companies in Uruguay is controlled by the BCU. Reinsurance companies do not need to be established in Uruguay to operate.

3.5 International financial center

Uruguay's existing conditions regarding capital inflow and outflow freedom, the inexistence of exchange controls and the existing tax benefits turn Uruguay into an attractive international financial center.

The exchange market is very active, especially for US-dollar operations with non-residents, in particular with Argentina and Brazil.

3.6 Financing of companies

Both branches and local companies can get financing from local banks, foreign loans or their headquarters or shareholders. Tax benefits are treated on a case-by-case basis. Therefore, it is convenient to perform a thorough tax planning.

4. Intellectual rights, trademarks and patents

Main features

- » Copyright, trademarks and patents are specifically protected by Uruguayan laws.
- » Under certain conditions, foreign investors can assert the rights registered in their country of origin.

Copyright

In Uruguay, copyright is guaranteed by constitution and other specific laws that recognize the author's right to enjoy and dispose of his/her creations exclusively and to receive financial compensation for this.

Under the Literary and Artistic Property Law, copyright protection in Uruguay includes literary, scientific and artistic works during a certain period. Within this period, the author or copyright assignee has certain exclusive rights over the registered work, which is protected against unauthorized use or the infringement of the rights thus acquired.

The Law does not require any formality or registration for the enjoyment and exercise of the rights recognized to the author; It will be enough that his/her name appears in the work to claim his/her rights.

Copyright protection lasts for the life of the author plus an additional term of forty years as from the author's death. If the work is not published, represented, executed or exhibited within ten years as from the author's death, it becomes a public domain work and it can be freely used. Rights acquired by legal persons are protected for a term of forty years. Foreign works are also protected by law; however, in such cases, compliance with the corresponding laws of the country of origin must be certified.

Copyrighted works are registered with the National Library Copyright Office. Such registration is optional and failure to register therewith does not prevent in any way the enjoyment and exercise of the rights recognized by the Literary and Artistic Property Law.

The holders of the rights have the power to sell the works and to transmit their economic rights both in life and after their death. The contract must be written and may be enforceable against third parties as of its record in the Registry.

Our country has ratified the Berne Convention for the protection of Literary and Artistic Works, by virtue of which the authors of one signatory country who publish their works in Uruguay enjoy the same rights granted to national authors.

The foregoing provisions apply to software and creative work in electronic and IT areas from foreign countries.

Trademarks

A trademark is a distinctive sign used to distinguish the products or services of a natural or

legal person from those of other persons. These signs can be visible or non-visible and also include slogans. Registration thereof with the National Industrial Property Office (DNPI) is required for the purposes of acquiring the exclusive right over its use, as well as the protection granted to the registrant for a term of ten years, extendable for successive periods of ten years indefinitely.

It is necessary that the brand has the characteristics of novelty, specialty and distinctiveness in order to be recorded in the registry. The registration of the trademark gives its owner the following rights:

- the right to use it exclusively;
- right of opposition

The first, establishes a presumption of ownership conferring the right of exclusive use of the brand. It is presumed that the legitimate owner of the trademark is the natural or legal person in whose name the registration was verified. The second, grants the right to oppose the use or registration of any brand that may cause confusion between products or services.

The exclusive property of a trademark is only acquired with respect to such products as actually applied to. Therefore, a registered trademark may only be used by third parties if said use is related to other products.

The property of registered trademarks can be assigned to third parties by means of private agreements or public deeds, but it is always convenient to register the transfer before the DNPI for the purposes of being protected against the violation of the rights thus acquired. The use of trademarks can also be assigned by means of a license agreement, which must be registered with the Trademark License Register - managed by DNPI. Unless otherwise agreed to, the transfer or sale of a commercial establishment is expected to include its trademarks.

Patents

Industrial patents are the name given to the group of institutes that protect the rights emanating from inventions, the creation of utility models and the creation of industrial designs or models with original character.

The invention patents obtained in Uruguay grant their holders the exclusive right of use for a period of twenty years from the date of the request, which is non-renewable, so that after that period the invention becomes public domain. The right to the patent shall belong to the inventor or his successors in title and may be assigned or transferred by succession or by cause of death. Patents are the new inventions of products or processes that involve an inventive step and are susceptible of industrial appreciation. The rights conferred by the patent are born with the resolution that grants it. If the owner does not use the patent within three years from the date of registration, he may be obliged to assign the rights, whether exclusively or not, to a third party. The term of three years may be extended to five years if the non-use of the patent is due to a circumstance not attributable to the will of the owner.

When an invention has been made in compliance with a work, construction or service contract, whose objective is the research activity, the right to the patent shall belong to the employer, unless otherwise provided.

In cases where the worker's personal contribution to the invention and the importance of it for the company clearly exceed the content of the contract or the employment relationship,

the worker will be entitled to additional remuneration.

The law defines the utility models as a new disposition or conformation obtained or introduced in tools, working instruments, utensils, devices, equipment or other known objects, which import a better utilization or a better result in the function for which they are intended, or another advantage for its use or manufacture. Whereas models or industrial designs are defined as original creations of an ornamental nature that are incorporated or applied to an industrial product or craft, and give it a special appearance. Both, once patented, grant their holders the exclusive right of use for a period of ten years renewable once for five years.

For the purposes of enforcing this right, registration with the DNPI within the corresponding term (twelve months for invention patents and utility models and six months for drawings or industrial models and for brand names or trademarks) –which is calculated as from the registration in the country of origin, is required.

Beyond these special provisions, foreign patent owners or holders can obtain the validation thereof in Uruguay by means of an application submitted to the DNPI within three years as from being granted in the country of origin. Validated patents are protected for a period of fifteen years, less the protection term they had enjoyed in the country of origin. Foreign patent nullity and voidance results in the validation patent nullity and voidance; however, this is not the case for the expiration term of each patent since they are independent.



- Arrangement of visits to the country by foreign investors, including the setting of meeting agendas with, for instance, public authorities, suppliers, potential partners and chambers of commerce.
- Support in setting-up operations and expansion. We assist you in the process of setting-up your business in the country and provide support for you to consolidate business growth in Uruguay.

About us

Uruguay XXI is the Uruguayan investment and export promotion agency. Uruguay XXI provides free support to foreign investors, both to those who are in the process of assessing where to make their investments and those who have been operating in Uruguay for a long time.

Our Investor Services

- Macro and sector-based information. Uruguay XXI regularly prepares research on Uruguay and several sectors of economy.
- Tailor-made information. We prepare personalized information to answer your specific inquiries, such as macroeconomic data, labor market, taxes and legal aspects, investment-promotion programs, location and costs.
- Contact with main players. We generate contacts with governmental entities, industrial stakeholders, financial institutions, research & development centers and prospective partners, amongst others.
- Promotion. We provide investment opportunities in strategic events, missions and business networking meetings.

